



PUBLIC NOTICE

Federal Communications Commission
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DA 05-2256
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**DOMESTIC SECTION 214 APPLICATION FILED FOR TRANSFER OF *DE FACTO*
CONTROL OF HOMEBASE ACQUISITION, LLC TO CONSOLIDATED
COMMUNICATIONS ILLINOIS HOLDINGS, INC.**

STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 05-234

Comments Due: August 18, 2005

Reply Comments Due: August 25, 2005

On July 13, 2004, Consolidated Communications Illinois Holdings, Inc. (“CCIH”) and Homebase Acquisition, LLC (“Homebase” and, together with CCIH, “Applicants”), filed an application, pursuant to sections 63.03 and 63.04 of the Commission’s rules,¹ requesting approval of a transfer of *de facto* control of Homebase’s subsidiaries that hold domestic and international authority under Section 214 and their respective Section 214 authorizations from Homebase to CCIH.² This request is made as a result of a corporate reorganization and the initial public offering (the “IPO”) of stock of CCIH (the “Transaction”).³ The Applicants

¹ 47 C.F.R §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

² Homebase’s subsidiaries that hold international authority under Section 214 are: Consolidated Communications Network Services, Inc. and Consolidated Communications Telecom Services of Texas Company (collectively, the “International 214 Subsidiaries”). Homebase’s subsidiaries that operate under domestic authority under Section 214 are Illinois Consolidated Telephone Company, Consolidated Communications Network Services, Inc., Consolidated Communications Operator Services, Inc., Consolidated Communications Public Services, Inc., Consolidated Communications of Texas Company, Consolidated Communications of Fort Bend Company and Consolidated Communications Telecom Services of Texas Company (collectively, the “Domestic 214 Subsidiaries” and together with the International 214 Subsidiaries the “Operating Subsidiaries”).

³ We note that while the Applicants characterize this intra-company merger as a “*pro forma*” transfer of control of the Operating Subsidiaries, it is in fact not *pro forma*. Rather, because this transaction results in 50 percent of the outstanding stock being held by persons who have not been previously reviewed by the Commission, there is a substantial transfer of control and Commission approval is required for this transaction. *See Barnes Enterprises Inc.*, 55 FCC 2d 721 (1975); *MetroMedia, Inc.* 98 FCC 2d 300, 305 (1984); *FCBA/PCIA Petitions for Forbearance*, 13 FCC Rcd. 6293, 6298-99 (1998).

indicate that the Section 214 authorizations currently held by the Operating Subsidiaries will continue to be held by those entities following consummation of the proposed transaction.⁴

Applicants assert that this transaction is entitled to presumptive streamlined treatment under section 63.03(b)(2)(iii) of the Commission's rules because immediately following the proposed transactions (1) the Applicants and their affiliates would hold less than an 10% share of the interstate, interexchange market; (2) Applicants and their affiliates would provide local exchange service only in areas served by dominant local exchange carriers that are not a party to the transactions and; (3) the Applicants are incumbent independent local exchange carriers that have, in combination, fewer than two percent of the nation's subscriber lines installed in the aggregate nationwide, and no overlapping or adjacent service areas.⁵

Homebase is a Delaware Limited Liability Company headquartered in Mattoon, Illinois. Through its operating subsidiaries, Homebase is an established rural local exchange company that provides communications services to residential and business customers in Illinois and in Texas. Homebase provides local dial tone, custom calling features, private line services, long distance, dial-up and high-speed Internet access, carrier access and billing and collection services. Each of Homebase's subsidiaries that provide local telephone services is classified as a rural telephone company under the Act. The following entities currently have a direct 10% or greater direct interest in Homebase: Central Illinois Telephone, LLC, a Delaware limited liability company (31.67%)⁶; Spectrum Equity Investors, IV, LP, a Delaware limited partnership (31.67%); and Providence Equity Partners IV, LP, a Delaware limited partnership (30%).

CCIH is a Delaware corporation headquartered in Mattoon, Illinois. Currently CCIH is a wholly-owned subsidiary of Homebase and the intermediate parent company of Homebase's operating subsidiaries in the State of Illinois. CCIH does not directly operate any telecommunications services.

Consolidated Communications Texas Holdings, Inc. ("CCTH"), a wholly-owned subsidiary of Homebase, will be merged with and into CCIH, with CCIH being the surviving corporate entity. Under the terms of the proposed Transaction, Homebase will be merged with and into CCIH, with CCIH being the surviving corporate entity;⁷ the current owners of

⁴ Applicants have also filed an application for consent to transfer authorization for international services. Any action on this domestic 214 application is without prejudice to Commission action on other related pending applications. Applicants also filed letters on June 13, 2005 and June 18, 2005, requesting Special Temporary Authority ("STA") for the approval of the transfer of control. On July 19, 2005, the Wireline Competition Bureau granted the STA for a 60 day period.

⁵ 47 C.F.R. § 63.03(b)(2)(iii).

⁶ The equity interests in CIT are approximately 81.9% owned by SKL Investment Group, a Delaware Limited Liability company ("SKL"). SKL is owned by Mr. Richard A. Lumpkin, a U.S. citizen, who is CIT's sole Managing Member and Chairman of CCIH.

⁷ In connection with the proposed Transaction, the name of CCIH will be changed to Consolidated Communications Holdings, Inc.

Homebase will receive shares of common stock of CCIH; the Homebase LLC Agreement will terminate; and CCIH will issue shares of its common stock to the public representing approximately a 20% equity interest in CCIH. Further, the current owners of Homebase will sell, in the aggregate, shares of their common stock in CCIH representing approximately a 30% to 40% equity interest in CCIH to the public, in the IPO.⁸

Applicants anticipate that a number of benefits will result from the proposed Transaction that will be beneficial to the Operating Subsidiaries and serve the public's interest. The current senior management team of Homebase and the Operating Subsidiaries will continue in place as the senior management team of CCIH and the Operating Subsidiaries following the reorganization. Applicants indicate that the proposed Transaction will not have a direct impact on the day-to-day management or operations of the Operating Subsidiaries. Moreover, Applicants state that the proposed Transaction will be consummated in a seamless fashion, and will not in any way inconvenience or cause harm to any of the Operating Subsidiaries' customers.

GENERAL INFORMATION

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer of control application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file **comments on or before August 18, 2005** and **reply comments on or before August 25, 2005.**⁹

Unless otherwise notified by the Commission, Applicants are permitted to transfer the assets and related control on the 31st day after the date of this notice.¹⁰ Comments may be filed using: (1) the Commission's Electronic Comment Filing System (ECFS), (2) the Federal Government's eRulemaking Portal, or (3) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

⁸ As a result of the sale of CCIH common stock to the public, the holdings of CCIH common stock immediately following the IPO are expected to be as follows: (i) public shareholders will hold shares of CCIH common stock representing approximately a 50 to 60% equity interest in CCIH; (ii) CIT will hold shares of CCIH common stock representing approximately 20% to 25% equity interest in CCIH; (iii) Spectrum Group will hold shares of CCIH common stock representing approximately a 5% equity interest in CCIH; (iv) Providence Group will hold shares of CCIH common stock representing approximately a 10% to 15% equity interest in CCIH; and (v) management employees will hold restricted shares of CCIH common stock representing approximately a 5% equity interest in CCIH. However, CCIH's amended and restated articles of incorporation and bylaws will include certain supermajority voting provisions related to the removal of members of the Board of Directors and fundamental corporate transactions. The effect of these supermajority provisions is to preserve the effective control by CIT (a limited liability company owned and controlled by Richard A. Lumpkin, as owner of 20% to 25% of the common stock of CCIH), over certain major corporate decisions.

⁹ See 47 C.F.R. § 63.03(a).

¹⁰ Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <http://www.fcc.gov/cgb/ecfs/> or the Federal eRulemaking Portal: <http://www.regulations.gov>. Filers should follow the instructions provided on the website for submitting comments.
- For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to ecfs@fcc.gov, and include the following words in the body of the message, “get form.” A sample form and directions will be sent in response.
- Paper Filers: Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission’s Secretary, Office of the Secretary, Federal Communications Commission.

The Commission’s contractor will receive hand-delivered or messenger-delivered paper filings for the Commission’s Secretary at 236 Massachusetts Avenue, NE., Suite 110, Washington, DC 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12th Street, SW, Washington DC 20554.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

You may submit comments, identified by [WC Docket 05-234], by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.

- Federal Communications Commission's Web Site: <http://www.fcc.gov/cgb/ecfs/>. Follow the instructions for submitting comments.
- People with Disabilities: Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by e-mail: FCC504@fcc.gov or phone: 202-418-0530 or TTY: 202-418-0432.

In addition, one copy of each pleading must be sent to each of the following:

- (1) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW, Room CY-B402, Washington, DC 20554, www.bcpweb.com; phone: (202) 488-5300 fax: (202) 488-5563;
- (2) Tracey Wilson-Parker, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C212, Washington, D.C. 20554; email: tracey.wilson-parker@fcc.gov;
- (3) Renée R. Crittendon, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C311, Washington, D.C. 20554; e-mail: renee.crittendon@fcc.gov;
- (4) Susan O'Connell, Policy Division, International Bureau, 445 12th Street, S.W., Room 7-B544, Washington, D.C. 20554; email: susan.o'connell@fcc.gov; and
- (5) James Bird, Office of General Counsel, 445 12th Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: james.bird@fcc.gov.

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC, 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail www.bcpweb.com.

For further information, please contact Tracey Wilson-Parker, at (202) 418-1394, or Renée Crittendon at (202) 418-2352.

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